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SUBJECT: U.S. Terror Victims Accuse Italy of Siding with Iran

1. Lawyers of the families of three U.S. victims of Hamas terrorist attacks in Israel in 1995 and 1996, to whom a U.S. Court in 2003 awarded USD 523 million in damages against Iran, have accused Italy of siding with Iran in the legal battle to collect damages from Iran's assets here. The lawyers, targeting Iran because of its alleged support of Palestinian militant groups, have asked the Rome Court to freeze a Banca Nazionale del Lavoro (BNL) account in Rome, held by the Iranian Embassy. The Court has agreed.

2. Following the Iranian Embassy's formal protest November 10, the MFA reminded the Court that the Vienna Convention protects embassies from such action, and that the Court must uphold international agreements. However, in a December 9 statement, the MFA said the letter was "only procedural," and that Foreign Minister Fini hoped "justice will take its course and families are compensated in accordance with international law." On December 13, Iran threatened that should the asset freeze continue, Iran would release "evidence of Italian support to Saddam Hussein's regime."

3. At a December 20 Court hearing, lawyers for Italy and Iran raised procedural objections to freezing the accounts and maintained that sovereign nation assets enjoy immunity from national laws. Lawyers of the U.S. victim families now reportedly accuse Italy of siding with Iran. The Rome Court is expected to rule on the objections in January.

4. Comment: The Rome Court's decision could set a precedent to open similar suits in other countries, who are also Vienna Convention signatories. Italy has traditionally had good relations with Tehran, is Iran's biggest trading partner in Europe, and has large investments in Iran's gas market through the Italian oil and gas giant ENI. That said, the Italian government strongly condemned Iranian President Ahmadinejad's recent rhetoric, calling for Israel's destruction and describing the Nazi Holocaust as a "myth." Italy has cooperated closely with us on all measures to stop terrorism financing. End comment.

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